

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Northville Parks and Recreation Commission</u>	County <u>Wayne</u>
Audit Date <u>June 30, 2004</u>	Opinion Date <u>September 2, 2004</u>	Date Accountant Report Submitted To State: <u>November 5, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>27400 Northwestern Hwy.</u>	City <u>Southfield</u>	State <u>MI</u>	ZIP <u>48034</u>
Accountant Signature 			

Northville Parks and Recreation Commission

**Financial Report
with Supplemental Information
June 30, 2004**

Northville Parks and Recreation Commission

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Independent Auditor's Report

To the Recreation Council
Northville Parks and Recreation Commission

We have audited the accompanying financial statements of each fund and the government-wide activities of the Northville Parks and Recreation Commission as of and for the year ended June 30, 2004, which collectively comprise the Northville Parks and Recreation Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Northville Parks and Recreation Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each fund and governmental-wide activities of the Northville Parks and Recreation Commission as of June 30, 2004 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Recreation Council
Northville Parks and Recreation Commission

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northville Parks and Recreation Commission's basic financial statements. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 2, 2004

Northville Parks and Recreation Commission

Management's Discussion and Analysis

The following discussion and analysis of the financial performance for the Northville Parks and Recreation Commission (the "Commission") provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Commission's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2004:

- During the fiscal year, significant progress was made on the Northville Senior Community Center renovation and building addition, which resulted in an increase in capital assets of \$2,450,397. This project, with an estimated budget of approximately \$2,800,000, will be completed in early fiscal year 2005.
- The above project was funded with the Charter Township of Northville and the City of Northville each funding 25 percent of the project cost, in addition to a loan from the Township for 50 percent of the project cost. The attached financial statements reflect that increase in long-term liabilities based upon the percent complete through June 30, 2004.
- The recreation sponsored programs, overall, ended the year with a modest positive contribution to overall operations.
- The agreements for servicing the Northville Baseball/Softball Association and Northville Soccer Association have resulted in a net cost to the Commission rather than a break-even level. It is hoped that an equitable agreement with those organizations will be reached in fiscal year 2005 to eliminate that loss.
- As the demands on financial resources continues with increased park facilities to operate, improving the level of undesignated fund balance continues to be a challenge.

Northville Parks and Recreation Commission

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets portion of the governmental funds balance sheet/statement of net assets and the statement of activities portion of the statement of governmental fund revenue, expenditures, and changes in fund balance/statement of activities provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide financial statements by providing information about the Commission's most significant funds.

The Commission as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

TABLE I

	2004	2003
Assets:		
Current assets	\$ 2,354,746	\$ 730,633
Noncurrent assets	3,766,022	1,371,214
Total assets	6,120,768	2,101,847
Liabilities:		
Current liabilities	2,172,302	561,682
Long-term liabilities	1,905,735	452,893
Total liabilities	4,078,037	1,014,575
Net assets:		
Invested in capital assets - Net of related debt	(630,845)	971,827
Unrestricted	2,673,576	115,445
Total net assets	<u>\$ 2,042,731</u>	<u>\$ 1,087,272</u>

Northville Parks and Recreation Commission

Management's Discussion and Analysis (Continued)

Total net assets increased by approximately \$955,000. This represents an increase of 46 percent. This increase is due primarily to the Northville Senior Community Center project discussed above.

As would otherwise be expected, all categories shown on the statement of net assets were consistent.

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	2004	2003
Revenue		
Program revenue:		
Program activities	\$ 805,243	\$ 791,692
Senior citizen activities	178,932	242,249
Federal and state grant revenue	228,982	135,474
Park development revenue	70,958	48,616
Dog park revenue	19,731	11,107
Facility rental revenue	208,077	214,932
General revenue:		
Operating contributions - City and Township	875,629	811,424
Construction contributions - City and Township	696,290	19,893
Donations	74,237	3,081
Other revenue	101,827	31,514
Total revenue	3,259,906	2,309,982
Program Expenses		
Program activities	861,956	733,950
Senior citizens activities	387,341	277,524
Parks	286,450	319,166
Facility centers	171,211	265,933
Administration	548,791	520,931
Park improvements	7,590	750
Debt service	41,108	69,188
Facility improvements	-	9,876
Total program expenses	2,304,447	2,197,318
Change in Net Assets	\$ 955,459	\$ 112,664

Northville Parks and Recreation Commission

Management's Discussion and Analysis (Continued)

Net assets increased by \$955,459 due primarily to the net effect of increased capital assets because of the Northville Senior Community Center project, offset by the related loan obligation. The remaining level of revenues and expenditures were consistent with the prior year.

The Commission's Funds

The Commission maintains two funds: the General Fund and the Capital Projects Fund. The funds provide detailed information rather than information about the Commission as a whole. The Commission creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as construction projects and related activities.

General Fund Budgetary Highlights

The General Fund accounts for all programming, operations, maintenance, and administrative functions of the Commission. The budget is monitored closely and amended quarterly.

The General Fund pays for all of the Commission's services. The most significant are program activities, operations and maintenance of parks and facilities, and administration. Major capital expenditures are accounted for in the Capital Projects Fund.

Capital Asset and Debt Administration

At the end of fiscal year 2004, the Recreation Commission had \$3,766,022 (net of depreciation) invested in capital assets, which includes leasehold improvements, park improvements, and equipment.

Debt for capital assets acquisition and improvements is provided by the Charter Township of Northville and the City of Northville.

Economic Factors and Next Year's Budgets and Rates

The operation and maintenance expenditures of additional parks and facilities continue to provide challenges for the Commission. This is due to specific types of park amenities, such as athletic fields that have higher operational costs. While the Commission operates the indoor facilities at a 100 percent cost recovery system, the independent youth sports organizations are subsidized by the Commission. Beginning with the fiscal year 2005 budget, a gradual cost recovery system has been developed for those independent groups that have primary use of the community's park facilities.

Northville Parks and Recreation Commission

Management's Discussion and Analysis (Continued)

The Recreation Center at Hillside remains the primary indoor recreation facility. The Northville Senior Community Center will experience a significant increase in activity during fiscal year 2005 due to the availability of that newly renovated and expanded building.

Contacting the Commission's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Northville Parks and Recreation Commission's office at 700 W. Baseline, Northville, Michigan 48167, or via the Commission's Web site at www.northvilleparksandrec.org.

Northville Parks and Recreation Commission

Governmental Funds Balance Sheet/Statement of Net Assets June 30, 2004

	General Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Government- wide Statement of Net Assets
Assets					
Cash - Investment pool (Note 4)	\$ 451,521	\$ -	\$ 451,521	\$ -	\$ 451,521
Accounts receivable - Other	52,351	1,759,372	1,811,723	-	1,811,723
Due from other governmental units	14,383	66,232	80,615	-	80,615
Prepaid expenses	8,199	2,688	10,887	-	10,887
Capital assets not being depreciated (Note 6)	-	-	-	2,581,988	2,581,988
Capital assets being depreciated (Note 6)	-	-	-	1,184,034	1,184,034
Total assets	\$ 526,454	\$ 1,828,292	\$ 2,354,746	3,766,022	6,120,768
Liabilities					
Accounts payable	\$ 113,095	\$ 1,816,604	\$ 1,929,699	-	1,929,699
Accrued liabilities	71,056	-	71,056	-	71,056
Deferred revenue (Note 5)	170,288	12,527	182,815	(12,527)	170,288
Long-term debt (Note 10):					
Portion due within one year	-	-	-	1,259	1,259
Portion due after one year	-	-	-	1,813,620	1,813,620
Compensated absences	-	-	-	92,115	92,115
Total liabilities	354,439	1,829,131	2,183,570	1,894,467	4,078,037
Net Assets - Fund balances (accumulated deficit)					
Unreserved	-	(839)	(839)	839	
Unreserved - Designated for other purposes (Note 8)	172,015	-	172,015	(172,015)	
Total fund balances (accumulated deficit)	\$ 172,015	\$ (839)	\$ 171,176	(171,176)	
Net Assets					
Invested in capital assets - Net of related debt				(630,845)	(630,845)
Unrestricted				2,673,576	2,673,576
Total net assets				\$ 2,042,731	\$ 2,042,731

Northville Parks and Recreation Commission

Statement of Governmental Funds Revenue, Expenditures, and Changes in Fund Balances (Accumulated Deficit)/Statement of Activities Year Ended June 30, 2004

	General Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Government-wide Statement of Activities
Revenue					
Operating contributions - City and Township	\$ 875,629	\$ -	\$ 875,629	\$ -	\$ 875,629
Construction contributions - City and Township	-	696,290	696,290	-	696,290
Program activities	805,243	-	805,243	-	805,243
Senior citizen activities	178,932	-	178,932	-	178,932
Federal grant revenue	-	269,846	269,846	(40,864)	228,982
Parks and facilities development revenue	70,958	-	70,958	-	70,958
Dog park revenue	19,731	-	19,731	-	19,731
Facility rental revenue	208,077	-	208,077	-	208,077
Donations	74,237	-	74,237	-	74,237
Other revenues	50,904	50,923	101,827	-	101,827
Total revenue	2,283,711	1,017,059	3,300,770	(40,864)	3,259,906
Expenditures/Expenses - Current					
Program activities	832,165	-	832,165	29,791	861,956
Senior citizen activities	387,341	-	387,341	-	387,341
Park development and capital outlay	259,762	76,374	336,136	(49,686)	286,450
Facility centers	197,235	2,357,197	2,554,432	(2,383,221)	171,211
Administration	531,391	-	531,391	17,400	548,791
Dog park expenditures	7,590	-	7,590	-	7,590
Debt service	4,745	65,880	70,625	(29,517)	41,108
Total expenditures/expenses	2,220,229	2,499,451	4,719,680	(2,415,233)	2,304,447
Excess of Revenue Over (Under) Expenditures	63,482	(1,482,392)	(1,418,910)	2,374,369	955,459
Other Financing Sources (Uses)					
Financing proceeds	-	1,445,009	1,445,009	(1,445,009)	-
Transfers - Internal activities	(78,247)	78,247	-	-	-
Total other financing sources (uses)	(78,247)	1,523,256	1,445,009	(1,445,009)	-
Net Change in Fund Balances	(14,765)	40,864	26,099	929,360	955,459
Fund Balances (Accumulated Deficit)/ Net Assets (Deficit) - Beginning of year	186,780	(41,703)	145,077	942,195	1,087,272
Fund Balances (Accumulated Deficit)/ - Net Assets (Deficit) - End of year	<u>\$ 172,015</u>	<u>\$ (839)</u>	<u>\$ 171,176</u>	<u>\$ 1,871,555</u>	<u>\$ 2,042,731</u>

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Northville Parks and Recreation Commission (the "Commission") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Commission.

Reporting Entity

The Commission is governed by an appointed nine-member commission. There are no component units for which the Commission is considered to be financially accountable.

Government-wide and Fund Financial Statements

The government-wide portion of the financial statements reports information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities portion demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide column in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of net assets portion of the financial statements includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Commission's net assets are reported in two parts - invested in capital assets, net of related debt and unrestricted net assets.

The statement of activities portion of the financial statements demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The governmental fund portion of the financial statements is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include the contributions by the Charter Township of Northville and the City of Northville, program activities, and facility rental income. All other revenue items are considered to be available only when cash is received by the Commission.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The Commission reports the following major governmental funds:

General Fund - The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for facility construction costs and other special projects.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables - All trade and intergovernmental receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide portion of the financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$1,500 and a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and park improvements	5 to 50 years
Equipment and furniture	3 to 20 years
Vehicles	3 to 15 years

Compensated Absences (Vacation and Sick Leave) - It is the Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent for a retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide column of the financial statements. The liability is classified as long-term.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities in governmental activities.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Capital Projects Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Director and then reviewed by the Commission. After the budget is approved by the Commission, it is then presented to the Charter Township of Northville and the City of Northville for approval prior to the start of the fiscal year. The budget is reviewed by the Commission on a quarterly basis and amended as necessary.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing bodies is the department level. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The General Fund and Capital Projects Fund budget amounts are adopted by total revenue and expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The comparison of actual results of operations to the General Fund budget shown in the required supplemental information is more detailed than the budget as adopted by the Commission and is presented for analytical purposes only. The Capital Projects Fund budget is included in other supplemental information.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The Commission has no significant expenditure budget variances.

Note 3 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the Commission's governmental funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities portions of the financial statements. These differences result primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the governmental funds balance sheet and the statement of governmental funds revenue, expenditures, and changes in fund balances (accumulated deficit).

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 171,176
Amounts reported in the statement of net assets portion are different because:	
Capital assets are not financial resources and are not reported in the funds	3,766,022
Revenue reported in the statement of activities portion does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	12,527
Compensated absences are included as a liability	(92,115)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(1,814,879)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 2,042,731</u>

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 3 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Total Changes in Fund Balance - Modified Accrual Basis	\$ 26,099
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Amounts reported in the statement of activities portion are different because:

Governmental funds report capital outlay as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	2,501,341
Depreciation	(106,534)

Increase in the accrual for long-term compensated absences reported as an expense in the statement of activities but is not reported as an expense in the governmental funds	(9,091)
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Revenue reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	(40,862)
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Repayment of bond principal is an expenditure in the governmental funds but is not reported as an expense in the statement of activities	29,515
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Bond proceeds are reported as financing sources in the governmental funds but are not reported as income on the statement of activities	<u>(1,445,009)</u>
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Total Changes in Net Assets - Full Accrual Basis	<u>\$ 955,459</u>
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Note 4 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 4 - Deposits and Investments (Continued)

The Commission has designated two banks for the deposit of Commission funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Commission's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements as cash - investment pool. The breakdown between deposits and investments for the Commission is as follows:

	<u>Primary Government</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ -
Bank investment pools	451,371
Petty cash or cash on hand	<u>150</u>
Total	<u>\$ 451,521</u>

Investments are normally categorized into three categories of credit risk.

At year end, the Commission's investments consisted solely of bank investment pool funds, which are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pool funds are regulated by the Michigan Banking Act. The fair value of the position is the same as the value of the pool shares.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 5 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Program revenue	\$ -	\$ 170,288
Grant aid payments that are not available at June 30, 2004	12,527	-
Total	<u>\$ 12,527</u>	<u>\$ 170,288</u>

Note 6 - Capital Assets

Capital asset activity of the Commission's governmental activities was as follows:

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Capital assets not being depreciated - Construction in progress	\$ 131,591	\$ 2,450,397	\$ -	\$ 2,581,988
Capital assets being depreciated:				
Community Center improvements	205,158	-	-	205,158
Hillside improvements	856,734	-	-	856,734
Ford Field/Park improvements	65,901	-	-	65,901
Fish Hatchery Park improvements	7,232	-	-	7,232
Henningson Park improvements	7,700	-	-	7,700
Community Park improvements	295,362	-	-	295,362
Equipment:				
Program equipment and furniture	15,314	-	-	15,314
Office equipment and furniture	91,540	-	-	91,540
Parks maintenance equipment and Vehicles	138,946	50,945	-	189,891
Subtotal	1,683,887	50,945	-	1,734,832
Accumulated depreciation	444,264	106,534	-	550,798
Net capital assets being depreciated	1,239,623	(55,589)	-	1,184,034
Net capital assets	<u>\$ 1,371,214</u>	<u>\$ 2,394,808</u>	<u>\$ -</u>	<u>\$ 3,766,022</u>

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

Administration	\$ 8,310
Facility center	67,176
Program activities	1,257
Parks	<u>29,791</u>

Total governmental activities	<u>\$ 106,534</u>
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Construction Commitments - The Commission has active construction projects at year end. At year end, the Commission's commitment with contractors is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Senior Center relocation and renovation project	<u>\$ 2,581,988</u>	<u>\$ 401,230</u>

Note 7 - Interfund Transfers

The General Fund transferred \$78,247 to the Capital Projects Fund for the year ended June 30, 2004 for park development, equipment purchases, and debt service.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 8 - Fund Balance

Fund balance in the General Fund is designated to show management's intentions. The following is a summary of the changes in designated fund balance:

	Balance July 1, 2003	Additions	Deletions and Adjustments	Balance June 30, 2004
Designated fund balance:				
Compensated absences	\$ 30,775	\$ 6,710	\$ -	\$ 37,485
Community Park - Northville Twp.				
Building Authority transfer (1)	54,985	32,681	38,465	49,201
Hillside Recreation Center -				
Northville Township (1)	-	19,609	19,609	-
Soccer field improvements	50,543	-	4,506	46,037
Dog park	7,409	19,731	7,590	19,550
Ford Field renovation project - Net of				
grant reimbursement	(34,675)	34,675	-	-
Bus replacement	15,912	-	-	15,912
Ebert	19,783	-	19,783	-
Undesignated fund balance	<u>42,048</u>	<u>2,167,087</u>	<u>2,205,305</u>	<u>3,830</u>
Total	<u>\$ 186,780</u>	<u>\$ 2,280,493</u>	<u>\$ 2,295,258</u>	<u>\$ 172,015</u>

(1) Recreation program fees include a \$4.00 facility surcharge designated for Community Park (\$2.50) and Hillside (\$1.50) debt service payments.

Fund Deficit - The Capital Projects Fund has a deficit at June 30, 2004 of \$839. This is due to the grant aid payments that were not received within 60 days of year end, and, therefore, not available for current year expenditures (see Note 5). This fund will no longer have a deficit after these grant payments are received.

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 9 - Commitments

The Commission transfers funds to related municipal entities in an amount equal to the annual debt service incurred by those entities on behalf of the Commission. The annual requirement to service that debt as of June 30, 2004, including both principal and interest, is as follows:

<u>Fiscal Year</u>	<u>Charter Township of Northville Building Authority (Northville Community Park)</u>	<u>City of Northville (Copier and Vehicle Debt)</u>
2005	\$ 25,375	\$ 14,773
2006	29,275	14,368
2007	27,875	13,962
2008	26,450	13,556
Total	<u>\$ 108,975</u>	<u>\$ 56,659</u>

Note 10 - Long-term Debt

The outstanding debt of the Commission consists of the following amounts borrowed from the Charter Township of Northville:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Senior Community Center loan	0%	2021	\$ -	\$ 1,445,009	\$ -	\$ 1,445,009	\$ -
Hillside recreation loan	0%	2019	395,609	-	28,258	367,351	-
Computer loan	0%	2006	3,778	-	1,259	2,519	1,259
Total			<u>\$ 399,387</u>	<u>\$ 1,445,009</u>	<u>\$ 29,517</u>	<u>\$ 1,814,879</u>	<u>\$ 1,259</u>

Northville Parks and Recreation Commission

Notes to Financial Statements June 30, 2004

Note 10 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above debt obligations are as follows:

2005	\$ 1,259
2006	1,260
2007	58,258
2008	68,258
2009	78,258
2010-2014	661,289
2015-2019	716,289
2020-2021	<u>230,008</u>
Total	<u>\$ 1,814,879</u>

Note 11 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. As an affiliate of the City of Northville (the "City"), the Commission participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to property loss, torts, and errors and omissions. The Commission also participates, through its affiliation with the City, in the Michigan Municipal League (MML) risk pool for employee injuries. The Commission, through the City, has purchased commercial insurance for all medical benefits beginning November 1, 1998. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Michigan Municipal Risk Management Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Commission. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

The Commission estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not been reported. During the year ended June 30, 2004, there were no uninsured claims paid by the Commission.

Required Supplemental Information

Northville Parks and Recreation Commission

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Year Ended June 30				
	2004				2003
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenue					
Operating contributions - City and Township	\$ 810,356	\$ 875,630	\$ 875,629	\$ (1)	\$ 811,424
Program activities	1,144,144	866,090	805,243	(60,847)	783,504
Senior citizen activities	164,625	204,413	178,932	(25,481)	233,405
Parks and facilities development revenue	93,140	85,000	70,958	(14,042)	48,616
Dog park revenue	15,725	20,000	19,731	(269)	11,107
Facility rental revenue	250,500	199,455	208,077	8,622	214,932
Donations	2,500	65,700	74,237	8,537	3,081
Other revenues	52,200	49,785	50,904	1,119	32,731
Total revenue	2,533,190	2,366,073	2,283,711	(82,362)	2,138,800
Other Financing Sources - Bond proceeds	-	-	-	-	3,778
Total revenue and other financing sources	2,533,190	2,366,073	2,283,711	(82,362)	2,142,578
Expenditures					
Program activities	1,042,852	836,766	832,165	4,601	732,693
Senior citizen activities	303,859	385,889	387,341	(1,452)	277,524
Park development and capital outlay	284,630	269,430	259,762	9,668	293,991
Facility centers	251,676	205,424	197,235	8,189	192,268
Administration	532,240	525,330	531,391	(6,061)	484,940
Dog park expenditures	8,600	11,745	7,590	4,155	-
Debt service	-	4,746	4,745	1	-
Total expenditures	2,423,857	2,239,330	2,220,229	19,101	1,981,416
Other Financing Uses - Operating transfers out	102,449	107,842	78,247	29,595	74,201
Total expenditures and other financing uses	2,526,306	2,347,172	2,298,476	48,696	2,055,617
Net Change in Fund Balance	6,884	18,901	(14,765)	(33,666)	86,961
Fund Balance - Beginning of year	186,780	186,780	186,780	-	99,819
Fund Balance - End of year	<u>\$ 193,664</u>	<u>\$ 205,681</u>	<u>\$ 172,015</u>	<u>\$ (33,666)</u>	<u>\$ 186,780</u>

Other Supplemental Information

Northville Parks and Recreation Commission

Other Supplemental Information Budgetary Comparison Schedule - Capital Projects Fund Year Ended June 30, 2004

	Year Ended June 30				
	2004				2003
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenue					
Construction contributions - City and Township	\$ -	\$ 834,230	\$ 696,290	\$ (137,940)	\$ 19,893
Federal grant revenue	-	374,164	269,846	(104,318)	82,083
Other revenue	<u>24,000</u>	<u>50,944</u>	<u>50,923</u>	<u>(21)</u>	<u>-</u>
Total revenue	24,000	1,259,338	1,017,059	(242,279)	101,976
Other Financing Sources					
Transfers in	99,014	107,842	78,247	(29,595)	74,201
Financing proceeds	<u>110,500</u>	<u>1,445,009</u>	<u>1,445,009</u>	<u>-</u>	<u>-</u>
Total revenue and other financing sources	233,514	2,812,189	2,540,315	(271,874)	176,177
Expenditures					
Park development and capital outlay	178,792	76,313	76,374	(61)	41,433
Park improvements	-	-	-	-	750
Facility center	-	2,667,319	2,357,197	310,122	131,591
Facility improvements	-	-	-	-	9,876
Debt service	<u>54,722</u>	<u>68,557</u>	<u>65,880</u>	<u>2,677</u>	<u>55,793</u>
Total expenditures	<u>233,514</u>	<u>2,812,189</u>	<u>2,499,451</u>	<u>312,738</u>	<u>239,443</u>
Net Change in Fund Balance	-	-	40,864	40,864	(63,266)
Fund Balance (Accumulated Deficit) - Beginning of year			<u>(41,703)</u>		<u>21,563</u>
Accumulated Deficit - End of year			<u>\$ (839)</u>		<u>\$ (41,703)</u>

Northville Parks and Recreation Commission

Other Supplemental Information Schedule of Program and Senior Citizen Activities Revenue Budget and Actual General Fund Year Ended June 30, 2004

	Year Ended June 30				
	2004			2003	
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	Actual
Program Activities Revenue - Registration and fees					
Adult basketball	\$ 59,000	\$ 60,000	\$ 61,293	\$ 1,293	\$ 59,024
Adult softball	14,625	15,000	12,475	(2,525)	13,326
Aquatics	124,000	122,000	107,323	(14,677)	91,798
Day camp	33,350	40,350	36,513	(3,837)	29,092
Ski club	36,900	40,370	40,404	34	31,782
Northville Baseball/Softball Association	124,400	22,800	23,971	1,171	20,675
Soccer	288,500	36,900	36,193	(707)	50,974
Tennis	31,000	32,000	22,636	(9,364)	33,592
Fitness	52,500	43,000	34,728	(8,272)	52,988
Junior basketball	57,000	62,000	60,584	(1,416)	55,242
Basketball summer camp	9,371	15,000	19,656	4,656	21,453
Youth volleyball	-	25,500	24,248	(1,252)	-
Sand volleyball	1,418	4,500	3,359	(1,141)	4,493
Adult volleyball	25,100	25,500	24,079	(1,421)	25,396
Lacrosse	21,640	24,140	23,995	(145)	21,312
Safety town	14,000	14,270	16,132	1,862	12,818
Cultural arts	12,840	13,840	13,206	(634)	-
SKRUFF	-	3,300	3,485	185	-
Other activities	232,500	263,000	238,344	(24,656)	259,284
Community events	6,000	2,620	2,619	(1)	255
Total program activities revenue	<u>\$ 1,144,144</u>	<u>\$ 866,090</u>	<u>\$ 805,243</u>	<u>\$ (60,847)</u>	<u>\$ 783,504</u>
Senior Citizen Activities Revenue					
Grant revenue:					
County grant - Pass-through City	\$ 6,400	\$ 22,298	\$ 20,078	\$ (2,220)	\$ 9,750
County grant - Pass-through Township	32,000	12,345	12,259	(86)	63,824
Other grant revenue	32,325	78,325	74,751	(3,574)	79,471
Senior services	93,900	91,445	71,844	(19,601)	80,360
Total senior citizen activities revenue	<u>\$ 164,625</u>	<u>\$ 204,413</u>	<u>\$ 178,932</u>	<u>\$ (25,481)</u>	<u>\$ 233,405</u>

Northville Parks and Recreation Commission

Other Supplemental Information Schedule of Program Activities, Senior Citizen Activities, and Park Expenditures - Budget and Actual General Fund Year Ended June 30, 2004

	Year Ended June 30				
	2004			2003	
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	Actual
Program Activities Expenditures					
Adult basketball	\$ 51,039	\$ 50,695	\$ 55,907	\$ (5,212)	\$ 55,419
Adult softball	8,690	8,798	6,302	2,496	11,206
Aquatics	120,893	133,795	136,010	(2,215)	126,276
Day camp	30,587	27,575	33,014	(5,439)	26,151
Ski club	36,629	34,005	33,829	176	36,184
Northville Baseball/Softball Association	119,000	44,200	51,163	(6,963)	31,897
Soccer	274,500	68,180	61,216	6,964	39,874
Tennis	25,950	24,960	19,377	5,583	26,279
Fitness	40,300	32,300	34,564	(2,264)	37,951
Junior basketball	56,974	59,005	57,789	1,216	48,129
Basketball summer camp	7,410	14,000	16,936	(2,936)	15,728
Youth volleyball	-	27,115	30,791	(3,676)	-
Sand volleyball	1,000	1,750	1,845	(95)	1,739
Adult volleyball	18,661	25,460	25,251	209	24,906
Lacrosse	19,487	23,280	24,902	(1,622)	16,774
Safety town	12,452	11,205	11,266	(61)	9,684
Cultural arts	9,698	8,503	5,941	2,562	-
SKRUFF	-	1,825	1,783	42	-
Other activities	203,582	230,220	214,956	15,264	220,591
Community events	6,000	9,895	9,323	572	3,905
Total program activities expenditures	<u>\$ 1,042,852</u>	<u>\$ 836,766</u>	<u>\$ 832,165</u>	<u>\$ 4,601</u>	<u>\$ 732,693</u>
Senior Citizen Activities Expenditures					
Senior services	\$ 99,790	\$ 117,228	\$ 115,012	\$ 2,216	\$ 87,305
Senior administration	204,069	268,661	272,329	(3,668)	190,219
Total senior citizen activities expenditures	<u>\$ 303,859</u>	<u>\$ 385,889</u>	<u>\$ 387,341</u>	<u>\$ (1,452)</u>	<u>\$ 277,524</u>
Park Development and Capital Outlay					
Fields and park maintenance	\$ 284,630	\$ 269,430	\$ 259,762	\$ 9,668	\$ 294,027
Park development and other	-	-	-	-	172
Total park expenditures	<u>\$ 284,630</u>	<u>\$ 269,430</u>	<u>\$ 259,762</u>	<u>\$ 9,668</u>	<u>\$ 294,199</u>

Northville Parks and Recreation Commission

Other Supplemental Information Schedule of Program Activities Revenue and Expenditures General Fund

Year Ended June 30						
2004			2003			
		Revenue Over (Under)			Revenue Over (Under)	
Revenue	Expenditures	Expenditures	Revenue	Expenditures	Expenditures	
Registration and Fees						
Adult basketball	\$ 61,293	\$ 55,907	\$ 5,386	\$ 59,024	\$ 55,419	\$ 3,605
Adult softball	12,475	6,302	6,173	13,326	11,206	2,120
Aquatics	107,323	136,010	(28,687)	91,798	126,276	(34,478)
Day camp	36,513	33,014	3,499	29,092	26,151	2,941
Ski club	40,404	33,829	6,575	31,782	36,184	(4,402)
Tennis	22,636	19,377	3,259	33,592	26,279	7,313
Fitness	34,728	34,564	164	52,988	37,951	15,037
Junior basketball	60,584	57,789	2,795	55,242	48,129	7,113
Basketball summer camp	19,656	16,936	2,720	21,453	15,728	5,725
Youth volleyball	24,248	30,791	(6,543)	-	-	-
Sand volleyball	3,359	1,845	1,514	4,493	1,739	2,754
Adult volleyball	24,079	25,251	(1,172)	25,396	24,906	490
Lacrosse	23,995	24,902	(907)	21,312	16,774	4,538
Safety town	16,132	11,266	4,866	12,818	9,684	3,134
Cultural arts	13,206	5,941	7,265	-	-	-
SKRUFF	3,485	1,783	1,702	-	-	-
Other activities	238,344	214,956	23,388	259,284	230,922	28,362
Community events	2,619	9,323	(6,704)	255	3,905	(3,650)
Subtotal	745,079	719,786	25,293	711,855	671,253	40,602
Northville Baseball/ Softball Association	23,971	51,163	(27,192)	20,675	31,897	(11,222)
Soccer	36,193	61,216	(25,023)	50,974	39,874	11,100
Subtotal	60,164	112,379	(52,215)	71,649	71,771	(122)
Total registration and fees	<u>\$ 805,243</u>	<u>\$ 832,165</u>	<u>\$ (26,922)</u>	<u>\$ 783,504</u>	<u>\$ 743,024</u>	<u>\$ 40,480</u>

September 2, 2004

Board of Commissioners
Northville Parks and Recreation Commission
215 West Main Street
Northville, MI 48167

Dear Commissioners:

We recently completed the audit of the financial statements of the Northville Parks and Recreation Commission for the year ended June 30, 2004. In addition to the audit report, we offer the following comments for your consideration:

Operational Considerations

Each year we discuss with you the benefits of maintaining an appropriate level of fund balance. In the past, we have suggested that the Commission give consideration to operational and capital needs of future years when considering what an appropriate level of fund balance is. In the current year, the Commission planned to increase fund balance for the General Fund by \$18,901. Unfortunately, the fund balance decreased from \$186,780 to \$172,015, due primarily to subsidizing the costs of the capital projects that took place during the year. In addition, the expenditures related to the Northville Baseball/Softball Association and Soccer Association exceeded revenues by more than \$52,000.

In our letter from last year we discussed the importance of evaluating operational and capital needs for the next five to 10 years. Unlike many recreation commissions in the area, Northville's continues to grow and expand with continued plans for facility renovations, park expansions, etc. We must reiterate that these facilities are not necessarily "revenue neutral". For example, the cost of a park expansion is generally not recovered by user fees. During the current year, the General Fund had approximately \$457,000 of expenditures related to park and facility centers development and maintenance, including capital outlay. The General Fund had only \$71,000 of direct revenue to offset these costs.

The following table sets forth a history of the City and Township's revenue sharing payments based upon the State's fiscal year:

Year ended September 30	City of Northville	Township of Northville
2001	\$751,782	\$1,741,581
2002	\$720,381	\$1,723,202
2003	\$679,870	\$1,682,747
2004	\$611,035	\$1,512,374
2005 - estimated	\$611,035	\$1,512,374

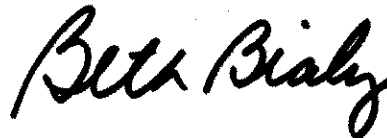
As you can see, the City and Township's state shared revenues have decreased approximately \$141,000 and \$229,000, respectively, over the past five fiscal years. As the participating municipalities are struggling themselves with shrinking State-shared revenues, stabilized tax revenues, and the like, we continue to caution you when evaluating how much revenue should be contributed by the City and Township as opposed to user fees.

It is our understanding that the Commission is currently investigating a stable source of funding for the operations and maintenance of the parks and recreational facilities maintained by the Commission. We would encourage the Commission to actively pursue this endeavor, due primarily to the uncertainly discussed above with the funding provided by the City and Township.

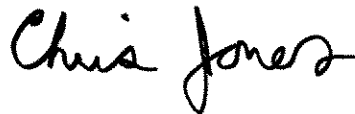
It has once again been our pleasure to serve you and look forward to a continued relationship with you as your auditors. We would like to thank Traci Sincock for her hard work and dedication to the Commission. It is clear to us that Northville runs a premier recreation commission, and this would not be the case without a strong and committed director along side an excellent Board. If we can provide any additional assistance, or answer any questions, please do not hesitate to contact us.

Yours truly,

PLANTE & MORAN, PLLC

A handwritten signature in black ink, reading "Beth Bialy". The script is cursive and fluid.

Beth A. Bialy

A handwritten signature in black ink, reading "Chris Jones". The script is cursive and fluid.

Christopher S. Jones